

# **CALIFORNIA BOARD OF ACCOUNTANCY**

## **INITIAL STATEMENT OF REASONS**

Hearing Date: January 25, 2013

Subject Matter of Proposed Regulations: Fees

Sections Affected: Title 16, Division 1 in California Code of Regulations, Section 70

### Background/Problems Addressed

Existing law, Business and Professions Code (B&P Code) Section 5134, authorizes the CBA to charge various fees including fees for application for the certified public accountant examination and reexamination; an application fee for issuance of a certified public accountant certificate; an application fee for registration as a partnership or corporation; and for the biennial renewal fee. This proposal would reduce these fees temporarily and require the CBA to conduct a review of its costs when determining the appropriate level of renewal fees to maintain an approximate three months worth of expenditures in reserve.

SB 80 (ch. 11 Stats. of 2011) removed a requirement from Section 5134 of the B&P Code that the Accountancy Fund maintain a balance equal to approximately nine months of annual expenditures in reserve. The CBA currently has a 14 month reserve which it believes to be too high in keeping with the law. The CBA is proposing to reduce its reserve to approximately three months of annual expenditures over the course of its licensees' two year renewal cycle.

The regulatory proposal is as follows:

1. Amend Section 70 of Title 16 of the California Code of Regulations

### Specific Purpose:

This proposal would reduce the following fees for a period of two years from July 1, 2014 to June 30, 2016:

- the application fee for the computer-based Uniform Certified Public Accountant Examination for issuance of the Authorization to Test to first-time applicants is reduced from \$100 to \$50;
- the application fee for the computer-based Uniform Certified Public Accountant Examination for issuance of the Authorization to Test to repeat applicants is reduced from \$50 to \$25;
- the application fee for issuance of a Certified Public Accountant certificate is reduced from \$250 to \$50; and,
- the application fee for registration as a partnership or as a corporation, including registering under a new name, is reduced from \$150 to \$30.

This proposal will reduce the following fees, which are already reduced from the original \$200 to \$120, for a minimum of two years from July 1, 2014 to June 30, 2016:

- the fee for the initial permit to practice as a partnership, corporation, or certified public accountant is reduced from \$120 to \$50; and,
- the fee for renewal of a permit to practice as a partnership, corporation, or certified public accountant is reduced from \$120 to \$50.

These fees are reduced for a period of two years, at which time, the fees will return to prior levels unless, by May 31, 2015, the CBA determines that a fee level lower than \$200 is necessary to maintain approximately three months in reserve.

#### Factual Basis/Rationale:

The fees in subsections (a), (b), and (c) are temporary reductions meant to give students and those pursuing licensure a financial break during difficult economic times and ease their entry into the profession. These fees will revert to their previous levels on July 1, 2016.

Section 5134 authorizes the CBA to collect fees for initial licensure and renewal in an amount not to exceed \$250 each. Section 70 of Title 16 of the California Code of Regulations temporarily sets these levels at \$120 for the initial license and \$120 for renewal.

SB 80 (ch. 11 Stats. of 2011) removed a requirement from Section 5134 of the B&P Code that the Accountancy Fund maintain a balance equal to approximately nine months of annual expenditures in reserve. The CBA currently has a 14 month reserve which it believes to be too high in keeping with the law. The CBA is proposing to reduce its reserve to approximately three months of annual expenditures over the course of its licensees' two year renewal cycle. This will ensure that every licensee benefits from the reduced renewal fee one time, and it eases entry into the profession for any initial licenses approved during that time.

The initial licensing and renewal fees would return to their previous \$200 level on July 1, 2016 unless, by May 31, 2015, the CBA determines that a lower fee level is indicated to maintain the CBA's contingent fund reserve balance at an amount equal to approximately three months of estimated annual authorized expenditures.

#### Underlying Data

None

## Economic Impact Assessment

This regulatory proposal will have the following effects:

- It will not create or eliminate jobs within the State of California because the proposed changes reduce the amount of several fees that individuals pay to the CBA, but the amounts, projected at just over \$5 million annually spread among approximately 90,000 licensees, are not sufficient to create or eliminate jobs or businesses.
- It will not create new business or eliminate existing businesses within the State of California because the proposed changes will not be of sufficient magnitude to have the effect of creating or eliminating businesses.
- It will not affect the expansion of businesses currently doing business within the State of California because the proposed changes will not be of sufficient magnitude to have the effect of creating or eliminating businesses.
- This regulatory proposal does not affect worker safety because it has nothing to do with worker safety.
- This regulatory proposal does not affect the state's environment because it has nothing to do with the environment.

## Benefits

SB 80 (ch. 11 Stats. of 2011) removed a requirement from Section 5134 of the B&P Code that the Accountancy Fund maintain a balance equal to approximately nine months of annual expenditures in reserve. The CBA currently has a 14 month reserve which it believes to be too high in keeping with the law. The CBA is proposing to reduce its reserve to approximately three months of annual expenditures over the course of its licensees' two year renewal cycle.

The CBA is reducing its reserve by lowering various fees for its applicants and licensees. The applicants and licensees will benefit from paying lower fees as this will lower their costs.

The benefits of this proposal, as stated above, would be approximately \$5 million annually spread among approximately 90,000 licensees.

### Specific Technologies or Equipment

This regulation does not mandate the use of specific technologies or equipment.

### Consideration of Alternatives

The CBA has made an initial determination that no reasonable alternative to the regulatory proposal would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law than the proposal described in the Notice.

Set forth below are the alternatives which were considered and the reasons each alternative was rejected:

The only alternative considered was to maintain the status quo. The CBA previously reduced the biennial renewal fees and initial licensing fees from their original amounts of \$200 to \$120 effective July 1, 2011 in an effort to reduce the Reserve. After one year, the July 2011 fee reduction has had almost no effect in decreasing Reserve levels. This alternative was rejected as the status quo was not accomplishing the CBA's objective of reducing the Reserve.